



ANNUAL STATEMENT

For the Year Ended December 31, 2008
of the Condition and Affairs of the

HEALTHMARKETS INSURANCE COMPANY

NAIC Group Code.....264, 264 (Current Period) (Prior Period)	NAIC Company Code..... 92908	Employer's ID Number..... 23-2850522
Organized under the Laws of OKLAHOMA	State of Domicile or Port of Entry OKLAHOMA	Country of Domicile US
Incorporated/Organized..... June 11, 1981	Commenced Business..... August 17, 1981	
Statutory Home Office	120 NORTH ROBINSON..... OKLAHOMA CITY OK 73102 (Street and Number) (City or Town, State and Zip Code)	
Main Administrative Office	9151 BOULEVARD 26..... NORTH RICHLAND HILLS TX 76180 (Street and Number) (City or Town, State and Zip Code)	817-255-3100 (Area Code) (Telephone Number)
Mail Address	9151 BOULEVARD 26..... NORTH RICHLAND HILLS TX 76180 (Street and Number or P. O. Box) (City or Town, State and Zip Code)	
Primary Location of Books and Records	9151 BOULEVARD 26..... NORTH RICHLAND HILLS TX 76180 (Street and Number) (City or Town, State and Zip Code)	817-255-3100 (Area Code) (Telephone Number)
Internet Web Site Address	HEALTHMARKETS.COM	
Statutory Statement Contact	MARIA C. PALACIOS (Name) connie.palacios@healthmarkets.com (E-Mail Address)	817-255-3100-5473 (Area Code) (Telephone Number) (Extension) 817-255-5390 (Fax Number)

OFFICERS

Name	Title	Name	Title
1. PHILLIP JOHN HILDEBRAND	PRESIDENT & CHIEF EXECUTIVE OFFICER	2. PEGGY GIBBONS SIMPSON	SECRETARY
3. MARIA CONSUELO PALACIOS	TREASURER	4. PHILIP RYDZEWSKI	SENIOR VICE PRESIDENT & CHIEF ACCOUNTING OFFICER

OTHER

MICHAEL ALLAN COLLIFLOWER	Executive Vice President	SUSAN ELIZABETH DEW	Senior Vice President
DERRICK ANTHONY DUKE	Senior Vice President		

DIRECTORS OR TRUSTEES

MICHAEL ALLAN COLLIFLOWER	DERRICK ANTHONY DUKE	PHILLIP JOHN HILDEBRAND
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State of..... TEXAS
County of..... TARRANT

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC *Annual Statement Instructions and Accounting Practices and Procedures* manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

(Signature) PHILLIP JOHN HILDEBRAND	(Signature) PEGGY GIBBONS SIMPSON	(Signature) MARIA CONSUELO PALACIOS
1. (Printed Name) PRESIDENT & CHIEF EXECUTIVE OFFICER	2. (Printed Name) SECRETARY	3. (Printed Name) TREASURER
(Title)	(Title)	(Title)

Subscribed and sworn to before me	a. Is this an original filing?	Yes [X] No []
This 16TH day of FEBRUARY 2009	b. If no	
	1. State the amendment number	
	2. Date filed	
	3. Number of pages attached	

HEALTHMARKETS INSURANCE COMPANY
ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D).....	6,637,998		6,637,998	7,125,336
2. Stocks (Schedule D):				
2.1 Preferred stocks.....			0	
2.2 Common stocks.....			0	
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens.....			0	
3.2 Other than first liens.....			0	
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$.....0 encumbrances).....			0	
4.2 Properties held for the production of income (less \$.....0 encumbrances).....			0	
4.3 Properties held for sale (less \$.....0 encumbrances).....			0	
5. Cash (\$....39,433, Sch. E-Part 1), cash equivalents (\$.....0, Sch. E-Part 2) and short-term investments (\$....2,300,443, Sch. DA).....	2,339,876		2,339,876	2,249,817
6. Contract loans (including \$.....0 premium notes).....			0	
7. Other invested assets (Schedule BA).....			0	
8. Receivables for securities.....			0	
9. Aggregate write-ins for invested assets.....	0	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9).....	8,977,874	0	8,977,874	9,375,153
11. Title plants less \$.....0 charged off (for Title insurers only).....			0	
12. Investment income due and accrued.....	127,848		127,848	133,802
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in course of collection.....			0	
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but unbilled premiums).....			0	
13.3 Accrued retrospective premiums.....			0	
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers.....			0	
14.2 Funds held by or deposited with reinsured companies.....			0	
14.3 Other amounts receivable under reinsurance contracts.....			0	
15. Amounts receivable relating to uninsured plans.....			0	
16.1 Current federal and foreign income tax recoverable and interest thereon.....	167,926		167,926	
16.2 Net deferred tax asset.....	1,350,549	1,218,910	131,639	47,184
17. Guaranty funds receivable or on deposit.....	385		385	
18. Electronic data processing equipment and software.....			0	
19. Furniture and equipment, including health care delivery assets (\$.....0).....			0	
20. Net adjustment in assets and liabilities due to foreign exchange rates.....			0	
21. Receivables from parent, subsidiaries and affiliates.....			0	
22. Health care (\$.....0) and other amounts receivable.....			0	
23. Aggregate write-ins for other than invested assets.....	0	0	0	129,931
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23).....	10,624,582	1,218,910	9,405,672	9,686,070
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0	
26. TOTALS (Lines 24 and 25).....	10,624,582	1,218,910	9,405,672	9,686,070

DETAILS OF WRITE-INS				
0901.			0	
0902.			0	
0903.			0	
0998. Summary of remaining write-ins for Line 9 from overflow page.....	0	0	0	0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....	0	0	0	0
2301. Goodwill on Purchase of Bonds.....			0	129,931
2302.			0	
2303.			0	
2398. Summary of remaining write-ins for Line 23 from overflow page.....	0	0	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above).....	0	0	0	129,931

HEALTHMARKETS INSURANCE COMPANY
LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Year	2 Prior Year
1. Aggregate reserve for life contracts \$.....0 (Exhibit 5, Line 9999999) less \$.....0 included in Line 6.3 (including \$.....0 Modco Reserve).....		
2. Aggregate reserve for accident and health contracts (Exhibit 6, Line 17, Col. 1) (including \$.....0 Modco Reserve).....		
3. Liability for deposit-type contracts (Exhibit 7, Line 14, Col. 1) (including \$.....0 Modco Reserve).....		
4. Contract claims:		
4.1 Life (Exhibit 8, Part 1, Line 4.4, Col. 1 less sum of Cols. 9, 10 and 11).....		
4.2 Accident and health (Exhibit 8, Part 1, Line 4.4, sum of Cols. 9, 10 and 11).....		
5. Policyholders' dividends \$.....0 and coupons \$.....0 due and unpaid (Exhibit 4, Line 10).....		
6. Provision for policyholders' dividends and coupons payable in following calendar year - estimated amounts:		
6.1 Dividends apportioned for payment (including \$.....0 Modco).....		
6.2 Dividends not yet apportioned (including \$.....0 Modco).....		
6.3 Coupons and similar benefits (including \$.....0 Modco).....		
7. Amount provisionally held for deferred dividend policies not included in Line 6.....		
8. Premiums and annuity considerations for life and accident and health contracts received in advance less \$.....0 discount; including \$.....0 accident and health premiums (Exhibit 1, Part 1, Col. 1, sum of Lines 4 and 14).....		
9. Contract liabilities not included elsewhere:		
9.1 Surrender values on canceled contracts.....		
9.2 Provision for experience rating refunds, including \$.....0 accident and health experience rating refunds.....		
9.3 Other amounts payable on reinsurance, including \$.....0 assumed and \$.....0 ceded.....		
9.4 Interest Maintenance Reserve (IMR, Line 6).....		
10. Commissions to agents due or accrued - life and annuity contracts \$.....0, accident and health \$.....0 and deposit-type contract funds \$.....0.....		
11. Commissions and expense allowances payable on reinsurance assumed.....		
12. General expenses due or accrued (Exhibit 2, Line 12, Col. 6).....	63,159	
13. Transfers to Separate Accounts due or accrued (net) (including \$.....0 accrued for expense allowances recognized in reserves, net of reinsured allowances).....		
14. Taxes, licenses and fees due or accrued, excluding federal income taxes (Exhibit 3, Line 9, Col. 5).....	50,000	
15.1 Current federal and foreign income taxes, including \$.....0 on realized capital gains (losses).....		93,633
15.2 Net deferred tax liability.....		
16. Unearned investment income.....		
17. Amounts withheld or retained by company as agent or trustee.....		
18. Amounts held for agents' account, including \$.....0 agents' credit balances.....		
19. Remittances and items not allocated.....		
20. Net adjustment in assets and liabilities due to foreign exchange rates.....		
21. Liability for benefits for employees and agents if not included above.....		
22. Borrowed money \$.....0 and interest thereon \$.....0.....		
23. Dividends to stockholders declared and unpaid.....		
24. Miscellaneous liabilities:		
24.1 Asset valuation reserve (AVR Line 16, Col. 7).....		1,755
24.2 Reinsurance in unauthorized companies.....		
24.3 Funds held under reinsurance treaties with unauthorized reinsurers.....		
24.4 Payable to parent, subsidiaries and affiliates.....	1,837	22,681
24.5 Drafts outstanding.....		
24.6 Liability for amounts held under uninsured plans.....		
24.7 Funds held under coinsurance.....		
24.8 Payable for securities.....		
24.9 Capital notes \$.....0 and interest thereon \$.....0.....		
25. Aggregate write-ins for liabilities.....	0	0
26. Total liabilities excluding Separate Accounts business (Lines 1 to 25).....	114,996	118,069
27. From Separate Accounts Statement.....		
28. Total liabilities (Line 26 and 27).....	114,996	118,069
29. Common capital stock.....	3,000,000	3,000,000
30. Preferred capital stock.....		
31. Aggregate write-ins for other than special surplus funds.....	0	0
32. Surplus notes.....		
33. Gross paid in and contributed surplus (Page 3, Line 33, Col. 2 plus Page 4, Line 51.1, Col. 1).....	3,081,766	7,257,098
34. Aggregate write-ins for special surplus funds.....	0	0
35. Unassigned funds (surplus).....	3,208,910	(689,097)
36. Less treasury stock, at cost:		
36.1 ....0.000 shares common (value included in Line 29 \$.....0).....		
36.2 ....0.000 shares preferred (value included in Line 30 \$.....0).....		
37. Surplus (Total Lines 31 + 32 + 33 + 34 + 35 - 36) (including \$.....0 in Separate Accounts Statement).....	6,290,676	6,568,001
38. Totals of Lines 29, 30 and 37 (Page 4, Line 55).....	9,290,676	9,568,001
39. Totals of Lines 28 and 38 (Page 2, Line 26, Col. 3).....	9,405,672	9,686,070

DETAILS OF WRITE-INS

2501.		
2502.		
2503.		
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	0	0
3101.		
3102.		
3103.		
3198. Summary of remaining write-ins for Line 31 from overflow page.....	0	0
3199. Totals (Lines 3101 thru 3103 plus 3198) (Line 31 above).....	0	0
3401.		
3402.		
3403.		
3498. Summary of remaining write-ins for Line 34 from overflow page.....	0	0
3499. Totals (Lines 3401 thru 3403 plus 3498) (Line 34 above).....	0	0

HEALTHMARKETS INSURANCE COMPANY
SUMMARY OF OPERATIONS

	1 Current Year	2 Prior Year
1. Premiums and annuity considerations for life and accident and health contracts (Exhibit 1, Part 1, Line 20.4, Col. 1, less Col. 11).....	.....	.....
2. Considerations for supplementary contracts with life contingencies.....	.....	.....
3. Net investment income (Exhibit of Net Investment Income, Line 17).....	388,673	419,090
4. Amortization of Interest Maintenance Reserve (IMR) (Line 5).....	.....	(277)
5. Separate Accounts net gain from operations excluding unrealized gains or losses.....	.....	.....
6. Commissions and expense allowances on reinsurance ceded (Exhibit 1, Part 2, Line 26.1, Col. 1).....	.....	.....
7. Reserve adjustments on reinsurance ceded.....	.....	.....
8. Miscellaneous Income:		
8.1 Income from fees associated with investment management, administration and contract guarantees from Separate Accounts.....	.....	.....
8.2 Charges and fees for deposit-type contracts.....	.....	.....
8.3 Aggregate write-ins for miscellaneous income.....	8	3
9. Totals (Lines 1 to 8.3).....	388,681	418,816
10. Death benefits.....	.....	.....
11. Matured endowments (excluding guaranteed annual pure endowments).....	.....	.....
12. Annuity benefits (Exhibit 8, Part 2, Line 6.4, Cols. 4 + 8).....	.....	.....
13. Disability benefits and benefits under accident and health contracts.....	.....	.....
14. Coupons, guaranteed annual pure endowments and similar benefits.....	.....	.....
15. Surrender benefits and withdrawals for life contracts.....	.....	.....
16. Group conversions.....	.....	.....
17. Interest and adjustments on contract or deposit-type contract funds.....	.....	.....
18. Payments on supplementary contracts with life contingencies.....	.....	.....
19. Increase in aggregate reserves for life and accident and health contracts.....	.....	.....
20. Totals (Lines 10 to 19).....	0	0
21. Commissions on premiums, annuity considerations and deposit-type contract funds (direct business only) (Exhibit 1, Part 2, Line 31, Col. 1).....	.....	.....
22. Commissions and expense allowances on reinsurance assumed (Exhibit 1, Part 2, Line 26.2, Col. 1).....	.....	.....
23. General insurance expenses (Exhibit 2, Line 10, Columns 1, 2, 3 and 4).....	684,975	58,441
24. Insurance taxes, licenses and fees, excluding federal income taxes (Exhibit 3, Line 7, Cols. 1 + 2 + 3).....	183,974	94,020
25. Increase in loading on deferred and uncollected premiums.....	.....	.....
26. Net transfers to or (from) Separate Accounts net of reinsurance.....	.....	.....
27. Aggregate write-ins for deductions.....	1,559	0
28. Totals (Lines 20 to 27).....	870,508	152,461
29. Net gain from operations before dividends to policyholders and federal income taxes (Line 9 minus Line 28).....	(481,827)	266,355
30. Dividends to policyholders.....	.....	.....
31. Net gain from operations after dividends to policyholders and before federal income taxes (Line 29 minus Line 30).....	(481,827)	266,355
32. Federal and foreign income taxes incurred (excluding tax on capital gains).....	(281,926)	92,465
33. Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses) (Line 31 minus Line 32).....	(199,901)	173,890
34. Net realized capital gains (losses) (excluding gains (losses) transferred to the IMR) less capital gains tax of \$.....0 excluding taxes of \$.....0 transferred to the IMR).....	.....	.....
35. Net income (Line 33 plus Line 34).....	(199,901)	173,890
CAPITAL AND SURPLUS ACCOUNT		
36. Capital and surplus, December 31, prior year (Page 3, Line 38, Col. 2).....	9,568,001	9,185,048
37. Net income (Line 35).....	(199,901)	173,890
38. Change in net unrealized capital gains (losses) less capital gains tax of \$.....0.....	1,092	(1,092)
39. Change in net unrealized foreign exchange capital gain (loss) .....	.....	.....
40. Change in net deferred income tax.....	(56,943)	1,407,492
41. Change in nonadmitted assets.....	4,152,004	(5,370,914)
42. Change in liability for reinsurance in unauthorized companies.....	.....	.....
43. Change in reserve on account of change in valuation basis, (increase) or decrease (Exhibit 5A, Line 9999999, Col. 4).....	.....	.....
44. Change in asset valuation reserve	1,755	(1,755)
45. Change in treasury stock, (Page 3, Lines 36.1 and 36.2 Col. 2 minus Col. 1).....	.....	.....
46. Surplus (contributed to) withdrawn from Separate Accounts during period.....	.....	.....
47. Other changes in surplus in Separate Accounts Statement.....	.....	.....
48. Change in surplus notes.....	.....	.....
49. Cumulative effect of changes in accounting principles.....	.....	.....
50. Capital changes:		
50.1 Paid in.....	.....	.....
50.2 Transferred from surplus (Stock Dividend).....	.....	.....
50.3 Transferred to surplus.....	.....	.....
51. Surplus adjustment:		
51.1 Paid in.....	(4,175,332)	5,075,332
51.2 Transferred to capital (Stock Dividend).....	.....	.....
51.3 Transferred from capital.....	.....	.....
51.4 Change in surplus as a result of reinsurance.....	.....	.....
52. Dividends to stockholders.....	.....	(900,000)
53. Aggregate write-ins for gains and losses in surplus.....	0	0
54. Net change in capital and surplus for the year (Lines 37 through 53).....	(277,325)	382,953
55. Capital and surplus, December 31, current year (Lines 36 + 54) (Page 3, Line 38).....	9,290,676	9,568,001

DETAILS OF WRITE-INS		
08.301. Other Income.....	8	3
08.302. ....	.....	.....
08.303. ....	.....	.....
08.398. Summary of remaining write-ins for Line 8.3 from overflow page.....	0	0
08.399. Totals (Lines 08.301 thru 08.303 plus 08.398) (Line 8.3 above).....	8	3
2701. Penalties.....	1,559	.....
2702. ....	.....	.....
2703. ....	.....	.....
2798. Summary of remaining write-ins for Line 27 from overflow page.....	0	0
2799. Totals (Lines 2701 thru 2703 plus 2798) (Line 27 above).....	1,559	0
5301. ....	.....	.....
5302. ....	.....	.....
5303. ....	.....	.....
5398. Summary of remaining write-ins for Line 53 from overflow page.....	0	0
5399. Totals (Lines 5301 thru 5303 plus 5398) (Line 53 above).....	0	0

HEALTHMARKETS INSURANCE COMPANY
CASH FLOW

	1 Current Year	2 Prior Year
CASH FROM OPERATIONS		
1. Premiums collected net of reinsurance.....		
2. Net investment income.....	394,738	453,218
3. Miscellaneous income.....	8	3
4. Total (Lines 1 through 3).....	394,746	453,221
5. Benefit and loss related payments.....		
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....		
7. Commissions, expenses paid and aggregate write-ins for deductions.....	757,734	152,461
8. Dividends paid to policyholders.....		
9. Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses).....	(20,367)	105,927
10. Total (Lines 5 through 9).....	737,367	258,388
11. Net cash from operations (Line 4 minus Line 10).....	(342,621)	194,833
CASH FROM INVESTMENTS		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds.....	2,045,000	6,850,809
12.2 Stocks.....		
12.3 Mortgage loans.....		
12.4 Real estate.....		
12.5 Other invested assets.....		
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments.....		
12.7 Miscellaneous proceeds.....		22,681
12.8 Total investment proceeds (Lines 12.1 to 12.7).....	2,045,000	6,873,490
13. Cost of investments acquired (long-term only):		
13.1 Bonds.....	1,557,773	5,060,156
13.2 Stocks.....		
13.3 Mortgage loans.....		
13.4 Real estate.....		
13.5 Other invested assets.....		
13.6 Miscellaneous applications.....		
13.7 Total investments acquired (Lines 13.1 to 13.6).....	1,557,773	5,060,156
14. Net increase (decrease) in contract loans and premium notes.....		
15. Net cash from investments (Line 12.8 minus Lines 13.7 minus Line 14).....	487,227	1,813,334
CASH FROM FINANCING AND MISCELLANEOUS SOURCES		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes.....		
16.2 Capital and paid in surplus, less treasury stock.....	(4,175,332)	5,075,332
16.3 Borrowed funds.....		
16.4 Net deposits on deposit-type contracts and other insurance liabilities.....		
16.5 Dividends to stockholders.....		900,000
16.6 Other cash provided (applied).....	4,120,785	(4,118,948)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6).....	(54,547)	56,384
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17).....	90,059	2,064,551
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	2,249,817	185,266
19.2 End of year (Line 18 plus Line 19.1).....	2,339,876	2,249,817

Note: Supplemental disclosures of cash flow information for non-cash transactions:

20.0001		
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ANALYSIS OF OPERATION BY LINES OF BUSINESS

	1	2	Ordinary			6	Group		Accident and Health			12
			3	4	5		7	8	9	10	11	
	Total	Industrial Life	Life Insurance	Individual Annuities	Supplementary Contracts	Credit Life (Group and Individual)	Life Insurance(a)	Annuities	Group	Credit (Group and Individual)	Other	Aggregate of All Other Lines of Business
1. Premiums and annuity considerations for life and accident and health contracts.....	0											
2. Considerations for supplementary contracts with life contingencies.....	0											
3. Net investment income.....	388,673											388,673
4. Amortization of Interest Maintenance Reserve (IMR).....	0											
5. Separate Accounts net gain from operations excluding unrealized gains or losses.....	0											
6. Commissions and expense allowances on reinsurance ceded.....	0											
7. Reserve adjustments on reinsurance ceded.....	0											
8. Miscellaneous Income:												
8.1 Fees associated with income from investment management, administration and contract guarantees from S/A.....	0											
8.2 Charges and fees for deposit-type contracts.....	0											
8.3 Aggregate write-ins for miscellaneous income.....	8	0	0	0	0	0	0	0	0	0	0	8
9. Totals (Lines 1 to 8.3).....	388,681	0	0	0	0	0	0	0	0	0	0	388,681
10. Death benefits.....	0											
11. Matured endowments (excluding guaranteed annual pure endowments).....	0											
12. Annuity benefits.....	0											
13. Disability benefits and benefits under accident and health contracts.....	0											
14. Coupons, guaranteed annual pure endowments and similar benefits.....	0											
15. Surrender benefits and withdrawals for life contracts.....	0											
16. Group conversions.....	0											
17. Interest and adjustments on contract or deposit-type contract funds.....	0											
18. Payments on supplementary contracts with life contingencies.....	0											
19. Increase in aggregate reserves for life and accident and health contracts.....	0											
20. Totals (Lines 10 to 19).....	0	0	0	0	0	0	0	0	0	0	0	0
21. Commissions on premiums, annuity considerations and deposit-type contract funds (direct business only).....	0											
22. Commissions and expense allowances on reinsurance assumed.....	0											
23. General insurance expenses.....	684,975											684,975
24. Insurance taxes, licenses and fees, excluding federal income taxes.....	183,974											183,974
25. Increase in loading on deferred and uncollected premiums.....	0											
26. Net transfers to or (from) Separate Accounts net of reinsurance.....	0											
27. Aggregate write-ins for deductions.....	1,559	0	0	0	0	0	0	0	0	0	0	1,559
28. Totals (Lines 20 to 27).....	870,508	0	0	0	0	0	0	0	0	0	0	870,508
29. Net gain from operations before dividends to policyholders and federal income taxes (Line 9 minus Line 28).....	(481,827)	0	0	0	0	0	0	0	0	0	0	(481,827)
30. Dividends to policyholders.....	0											
31. Net gain from operations after dividends to policyholders and before federal income taxes (Line 29 minus Line 30).....	(481,827)	0	0	0	0	0	0	0	0	0	0	(481,827)
32. Federal income taxes incurred (excluding tax on capital gains).....	(281,926)											(281,926)
33. Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses) (Line 31 minus Line 32).....	(199,901)	0	0	0	0	0	0	0	0	0	0	(199,901)

DETAILS OF WRITE-INS

08.301. Other Income.....	8											8
08.302.	0											
08.303.	0											
08.398. Summary of remaining write-ins for Line 8.3 from overflow page.....	0	0	0	0	0	0	0	0	0	0	0	0
08.399. Total (Lines 08.301 thru 08.303 plus 08.398) (Line 8.3 above).....	8	0	0	0	0	0	0	0	0	0	0	8
2701. Penalties.....	1,559											1,559
2702.	0											
2703.	0											
2798. Summary of remaining write-ins for Line 27 from overflow page.....	0	0	0	0	0	0	0	0	0	0	0	0
2799. Total (Lines 2701 thru 2703 plus 2798) (Line 27 above).....	1,559	0	0	0	0	0	0	0	0	0	0	1,559

(a) Includes the following amounts for FEGLI/SGLI: Line 1.....0 Line 10.....0 Line 16.....0 Line 23.....0 Line 24.....0.

ANALYSIS OF INCREASE IN RESERVES DURING THE YEAR

	1 Total	2 Industrial Life	Ordinary			6 Credit Life (Group and Individual)	Group	
			3 Life Insurance	4 Individual Annuities	5 Supplementary Contracts		7 Life Insurance	8 Annuities
Involving Life or Disability Contingencies (Reserves)								
(Net of Reinsurance Ceded)								
1. Reserve December 31, prior year.....	0							
2. Tabular net premiums or considerations.....	0							
3. Present value of disability claims incurred.....	0				XXX			
4. Tabular interest.....	0							
5. Tabular less actual reserve released.....	0							
6. Increase in reserve on account of change in valuation basis.....	0							
7. Other increases (net).....	0							
8. Totals (Lines 1 to 7).....	0	0	0	0	0	0	0	0
9. Tabular cost.....	0				XXX			
10. Reserves released by death.....	0			XXX	XXX			XXX
11. Reserves released by other terminations (net).....	0							
12. Annuity, supplementary contract, and disability payments involving life contingencies.....	0							
13. Net transfers to or (from) Separate Accounts.....	0							
14. Total deductions (Lines 9 to 13).....	0	0	0	0	0	0	0	0
15. Reserve December 31, current year.....	0	0	0	0	0	0	0	0

NONE

EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. government bonds.....	(a).....351,784	.....345,389
1.1 Bonds exempt from U.S. tax.....	(a).....	.....
1.2 Other bonds (unaffiliated).....	(a).....	.....
1.3 Bonds of affiliates.....	(a).....	.....
2.1 Preferred stocks (unaffiliated).....	(b).....	.....
2.11 Preferred stocks of affiliates.....	(b).....	.....
2.2 Common stocks (unaffiliated).....	.....	.....
2.21 Common stocks of affiliates.....	.....	.....
3. Mortgage loans.....	(c).....	.....
4. Real estate.....	(d).....	.....
5. Contract loans.....	.....	.....
6. Cash, cash equivalents and short-term investments.....	(e).....48,712	.....49,151
7. Derivative instruments.....	(f).....	.....
8. Other invested assets.....	.....	.....
9. Aggregate write-ins for investment income.....	.....0	.....0
10. Total gross investment income.....	.....400,496	.....394,540
11. Investment expenses.....	.....	(g).....5,867
12. Investment taxes, licenses and fees, excluding federal income taxes.....	.....	(g).....
13. Interest expense.....	.....	(h).....
14. Depreciation on real estate and other invested assets.....	.....	(i).....0
15. Aggregate write-ins for deductions from investment income.....	.....	.....0
16. Total deductions (Lines 11 through 15).....	.....	.....5,867
17. Net investment income (Line 10 minus Line 16).....	.....	.....388,673

DETAILS OF WRITE-INS

0901. ....	.....	.....
0902. ....	.....	.....
0903. ....	.....	.....
0998. Summary of remaining write-ins for Line 9 from overflow page.....	.....0	.....0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....	.....0	.....0
1501. ....	.....	.....
1502. ....	.....	.....
1503. ....	.....	.....
1598. Summary of remaining write-ins for Line 15 from overflow page.....	.....	.....0
1599. Totals (Lines 1501 thru 1503 plus 1598) (Line 15 above).....	.....	.....0
(a) Includes \$.....20,226 accrual of discount less \$.....20,337 amortization of premium and less \$.....28,774 paid for accrued interest on purchases.	.....	.....
(b) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued dividends on purchases.	.....	.....
(c) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.	.....	.....
(d) Includes \$.....0 for company's occupancy of its own buildings; and excludes \$.....0 interest on encumbrances.	.....	.....
(e) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.	.....	.....
(f) Includes \$.....0 accrual of discount less \$.....0 amortization of premium.	.....	.....
(g) Includes \$.....0 investment expenses and \$.....0 investment taxes, licenses and fees, excluding federal income taxes, attributable to Segregated and Separate Accounts.	.....	.....
(h) Includes \$.....0 interest on surplus notes and \$.....0 interest on capital notes.	.....	.....
(i) Includes \$.....0 depreciation on real estate and \$.....0 depreciation on other invested assets.	.....	.....

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. government bonds.....0	.....	.....
1.1 Bonds exempt from U.S. tax.....0	.....	.....
1.2 Other bonds (unaffiliated).....0	.....	.....
1.3 Bonds of affiliates.....0	.....	.....
2.1 Preferred stocks (unaffiliated).....0	.....	.....
2.11 Preferred stocks of affiliates.....0	.....	.....
2.2 Common stocks (unaffiliated).....0	.....	.....
2.21 Common stocks of affiliates.....0	.....	.....
3. Mortgage loans.....0	.....	.....
4. Real estate.....0	.....	.....
5. Contract loans.....0	.....	.....
6. Cash, cash equivalents and short-term investments.....0	.....	.....
7. Derivative instruments.....0	.....	.....
8. Other invested assets.....0	.....	.....
9. Aggregate write-ins for capital gains (losses).....	.....0	.....0	.....0	.....1,092	.....0
10. Total capital gains (losses).....	.....0	.....0	.....0	.....1,092	.....0

DETAILS OF WRITE-INS					
0901. Amortization of Goodwill.....	.....	.....	.....0	.....1,092	.....
0902. ....	.....	.....	.....0	.....	.....
0903. ....	.....	.....	.....0	.....	.....
0998. Summary of remaining write-ins for Line 9 from overflow page.....	.....0	.....0	.....0	.....0	.....0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....	.....0	.....0	.....0	.....1,092	.....0

Ex. 1-Pt. 1-Premiums & Annuity Considerations
NONE

Ex. 1-Pt. 2-Dividends & Coupons Applied
NONE

HEALTHMARKETS INSURANCE COMPANY
EXHIBIT 2 - GENERAL EXPENSES

		Insurance				5	6
		1	Accident and Health		4		
			2	3			
		Life	Cost Containment	All Other	All Other Lines of Business	Investment	Total
1.	Rent.....				19,645		19,645
2.	Salaries and wages.....				207,279		207,279
3.11	Contributions for benefit plans for employees.....				29,363		29,363
3.12	Contributions for benefit plans for agents.....						.0
3.21	Payments to employees under non-funded benefit plans.....						.0
3.22	Payments to agents under non-funded benefit plans.....						.0
3.31	Other employee welfare.....				4,846		4,846
3.32	Other agent welfare.....						.0
4.1	Legal fees and expenses.....				382,460		382,460
4.2	Medical examination fees.....						.0
4.3	Inspection report fees.....						.0
4.4	Fees of public accountants and consulting actuaries.....				32,402		32,402
4.5	Expense of investigation and settlement of policy claims.....						.0
5.1	Traveling expenses.....				10,169		10,169
5.2	Advertising.....						.0
5.3	Postage, express, telegraph and telephone.....				15,581		15,581
5.4	Printing and stationery.....				8,385		8,385
5.5	Cost or depreciation of furniture and equipment.....						.0
5.6	Rental of equipment.....				346		346
5.7	Cost or depreciation of EDP equipment and software.....						.0
6.1	Books and periodicals.....				571		571
6.2	Bureau and association fees.....				1,401		1,401
6.3	Insurance, except on real estate.....				2,434		2,434
6.4	Miscellaneous losses.....						.0
6.5	Collection and bank service charges.....						.0
6.6	Sundry general expenses.....				305		305
6.7	Group service and administration fees.....						.0
6.8	Reimbursements by uninsured plans.....						.0
7.1	Agency expense allowance.....						.0
7.2	Agents' balances charged off (less \$.....0 recovered).....						.0
7.3	Agency conferences other than local meetings.....						.0
9.1	Real estate expenses.....						.0
9.2	Investment expenses not included elsewhere.....					5,867	5,867
9.3	Aggregate write-ins for expenses.....	.0	0	0	(30,212)	0	(30,212)
10.	General expenses Incurred.....	.0	0	0	684,975	5,867	(a).....690,842
11.	General expenses unpaid December 31, prior year.....						.0
12.	General expenses unpaid December 31, current year.....				63,159		63,159
13.	Amounts receivable relating to uninsured plans, prior year.....						.0
14.	Amounts receivable relating to uninsured plans, current year.....						.0
15.	General expenses paid during year (Lines 10 + 11 - 12 - 13 + 14).....	.0	0	0	621,816	5,867	627,683
DETAILS OF WRITE-INS							
09.301.	Amortization of Intangibles.....				(33,703)		(33,703)
09.302.	Data processing expense.....				3,491		3,491
09.303.	.....						.0
09.398.	Summary of remaining write-ins for Line 9.3 from overflow page.....	.0	0	0	0	0	.0
09.399.	Totals (Lines 09.301 thru 09.303 plus 09.398)(Line 9.3 above).....	.0	0	0	(30,212)	0	(30,212)

(a) Includes management fees of \$.300,000 to affiliates and \$.0 to non-affiliates.

EXHIBIT 3 - TAXES, LICENSES AND FEES (EXCLUDING FEDERAL INCOME TAXES)

		Insurance			4	5
		1	2	3		
		Life	Accident and Health	All Other Lines of Business	Investment	Total
1.	Real estate taxes.....	.....	.....	.....	.....	.....0
2.	State insurance department licenses and fees.....	.....	.....	.....135,115	.....	.....135,115
3.	State taxes on premiums.....	.....	.....	.....48,859	.....	.....48,859
4.	Other state taxes, including \$.....0 for employee benefits.....	.....	.....	.....	.....	.....0
5.	U.S. Social Security taxes.....	.....	.....	.....	.....	.....0
6.	All other taxes.....	.....	.....	.....	.....	.....0
7.	Taxes, licenses and fees incurred.....	.....0	.....0	.....183,974	.....0	.....183,974
8.	Taxes, licenses and fees unpaid December 31, prior year.....	.....	.....	.....	.....	.....0
9.	Taxes, licenses and fees unpaid December 31, current year.....	.....	.....	.....50,000	.....	.....50,000
10.	Taxes, licenses and fees paid during year (Lines 7 + 8 - 9).....	.....0	.....0	.....133,974	.....0	.....133,974

EXHIBIT 4 - DIVIDENDS OR REFUNDS

		1	2
		Life	Accident and Health
1.	Applied to pay renewal premiums.....		
2.	Applied to shorten the endowment or premium-paying period.....		
3.	Applied to provide paid-up additions.....		
4.	Applied to provide paid-up annuities.....		
5.	Total Lines 1 through 4.....	.0	.0
6.	Paid-in cash.....		
7.	Left on deposit.....		
8.	Aggregate write-ins for dividend or refund options.....	.0	.0
9.	Total Lines 5 through 8.....	.0	.0
10.	Amount due and unpaid.....		
11.	Provision for dividends or refunds payable in the following calendar year.....		
12.	Terminal dividends.....		
13.	Provision for deferred dividend contracts.....		
14.	Amount provisionally held for deferred dividend contracts not included in Line 13.....		
15.	Total Lines 10 through 14.....	.0	.0
16.	Total from prior year.....		
17.	Total dividends or refunds (Lines 9 + 15 - 16).....	.0	.0
DETAILS OF WRITE-INS			
0801.	.....	
0802.	.....	
0803.	.....	
0898.	Summary of remaining write-ins for Line 8 from overflow page.....	.0	.0
0899.	Totals (Line 0801 thru 0803 plus 0898) (Line 8 above).....	.0	.0

NONE

HEALTHMARKETS INSURANCE COMPANY
EXHIBIT 5 - AGGREGATE RESERVE FOR LIFE CONTRACTS

1	2	3	4	5	6
Valuation Standard	Total	Industrial	Ordinary	Credit (Group and Individual)	Group

NONE

HEALTHMARKETS INSURANCE COMPANY
EXHIBIT 5 - INTERROGATORIES


- | | | |
|--|---------|--------|
| 1.1 Has the reporting entity ever issued both participating and non-participating contracts? | Yes [] | No [X] |
| 1.2 If not, state which kind is issued..... | | |
| 2.1 Does the reporting entity at present issue both participating and non-participating contracts? | Yes [] | No [X] |
| 2.2 If not, state which kind is issued..... | | |
| 3. Does the reporting entity at present issue or have in force contracts that contain non-guaranteed elements? | Yes [] | No [X] |
| If so, attach a statement that contains the determination procedures, answers to the interrogatories and an actuarial opinion as described in the instructions. | | |
| 
* 9 2 9 0 8 2 0 0 8 3 7 0 0 0 0 0 0 * | | |
| 4. Has the reporting entity any assessment or stipulated premium contracts in force? If so, state: | Yes [] | No [X] |
| 4.1 Amount of insurance: | \$..... | |
| 4.2 Amount of reserve: | \$..... | |
| 4.3 Basis of reserve: | | |
| 4.4 Basis of regular assessments: | | |
| 4.5 Basis of special assessments: | | |
| 4.6 Assessments collected during year: | \$..... | |
| 5. If the contract loan interest rate guaranteed in any one or more of its currently issued contracts is less than 5%, not in advance, state the contract loan rate guarantees on any such contracts. | | |
| 6. Does the reporting entity hold reserves for any annuity contracts that are less than the reserves that would be held on a standard basis? | Yes [] | No [X] |
| 6.1 If so, state the amount of reserve on such contracts on the basis actually held: | \$..... | |
| 6.2 That would have been held (on an exact or approximate basis) using the actual ages of the annuitants; the interest rate(s) used in 6.1; and the same mortality basis used by the reporting entity for the valuation of comparable annuity benefits issued to standard lives. If the reporting entity has no comparable annuity benefits for standard lives to be valued, the mortality basis shall be the table most recently approved by the state of domicile for valuing individual annuity benefits: | \$..... | |
| Attach statement of methods employed in their valuation. | | |
| 7. Does the reporting entity have any Synthetic GIC contracts or agreements in effect as of December 31 of the current year? | Yes [] | No [X] |
| 7.1 If yes, state the total dollar amount of assets covered by these contracts or agreements: | \$..... | |
| 7.2 Specify the basis (fair value, amortized cost, etc.) for determining the amount: | | |
| 7.3 State the amount of reserves established for this business: | \$..... | |
| 7.4 Identify where the reserves are reported in the blank. | | |

EXHIBIT 5A - CHANGES IN BASES OF VALUATION DURING THE YEAR

1 Description of Valuation Class	Valuation Basis		4 Increase in Actuarial Reserve Due To Change
	2 Changed From	3 Changed To	

NONE

Ex. 6-Aggregate Reserves for A&H Policies
NONE

Ex. 7-Deposit-Type Contracts
NONE

Ex. 8-Pt. 1-Claims-Liability End of Current Year
NONE

Ex. 8-Pt. 2-Claims-Incurred During the Year
NONE

EXHIBIT OF NONADMITTED ASSETS

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D).....			.....0
2. Stocks (Schedule D):			
2.1 Preferred stocks.....			.....0
2.2 Common stocks.....			.....0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens.....			.....0
3.2 Other than first liens.....			.....0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company.....			.....0
4.2 Properties held for the production of income.....			.....0
4.3 Properties held for sale.....			.....0
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA).....			.....0
6. Contract loans.....			.....0
7. Other invested assets (Schedule BA).....			.....0
8. Receivables for securities.....			.....0
9. Aggregate write-ins for invested assets.....	.....0	.....0	.....0
10. Subtotals, cash and invested assets (Lines 1 to 9).....	.....0	.....0	.....0
11. Title plants (for Title insurers only).....			.....0
12. Investment income due and accrued.....			.....0
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection.....			.....0
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due.....			.....0
13.3 Accrued retrospective premiums.....			.....0
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers.....			.....0
14.2 Funds held by or deposited with reinsured companies.....			.....0
14.3 Other amounts receivable under reinsurance contracts.....			.....0
15. Amounts receivable relating to uninsured plans.....			.....0
16.1 Current federal and foreign income tax recoverable and interest thereon.....			.....0
16.2 Net deferred tax asset.....	.....1,218,910	.....1,360,308	.....141,398
17. Guaranty funds receivable or on deposit.....			.....0
18. Electronic data processing equipment and software.....			.....0
19. Furniture and equipment, including health care delivery assets.....			.....0
20. Net adjustment in assets and liabilities due to foreign exchange rates.....			.....0
21. Receivables from parent, subsidiaries and affiliates.....			.....0
22. Health care and other amounts receivable.....			.....0
23. Aggregate write-ins for other than invested assets.....	.....0	.....4,010,606	.....4,010,606
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 through 23).....	.....1,218,910	.....5,370,914	.....4,152,004
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			.....0
26. TOTALS (Lines 24 and 25).....	.....1,218,910	.....5,370,914	.....4,152,004

DETAILS OF WRITE-INS

0901. ....			.....0
0902. ....			.....0
0903. ....			.....0
0998. Summary of remaining write-ins for Line 9 from overflow page.....	.....0	.....0	.....0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....	.....0	.....0	.....0
2301. Intangible Assets - State Licenses.....		.....4,010,606	.....4,010,606
2302. ....			.....0
2303. ....			.....0
2398. Summary of remaining write-ins for Line 23 from overflow page.....	.....0	.....0	.....0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above).....	.....0	.....4,010,606	.....4,010,606

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

This is a statement of the accounting principles and methods applied in preparing these statutory financial statements.

A. Accounting Practices

The Company presents these financial statements on the basis of accounting principles prescribed or permitted by the Oklahoma Insurance Department. The National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures* manual, version effective March 1, 2008 (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the State of Oklahoma.

B. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

C. Accounting Policy

The Company uses the following accounting policies:

1. Short-term investments are stated at amortized cost.
2. Bonds not backed by other loans at amortized cost using the interest method; loan-backed bonds and structured securities at amortized cost using the interest method including anticipated prepayments at the date of purchase; changes in estimated cash flows from the original purchase assumptions for loan-backed bonds and structured securities are accounted for using the retrospective method.
3. The Company has no Common stocks.
4. The Company has no Preferred stocks.
5. The Company has no Mortgage loans.
6. The Company has no loan-backed securities.
7. The Company has no investments in subsidiaries, controlled and affiliated companies.
8. The Company has no investments in Joint ventures, Partnerships or Limited Liability Companies that exceed 10% of its admitted assets.
9. The Company does not have any derivatives.
10. The Company does not utilize anticipated investment income as a factor in the premium deficiency calculation.
11. Management's policies and methodologies for estimating liabilities for losses and loss adjustments - Not applicable
12. The Company has not modified its capitalization policy from the prior period.
13. The Company does not have pharmaceutical rebate receivables

2. Accounting Changes and Corrections of Errors

- A. Correction of Errors - Not applicable
- B. Cumulative Effect of Changes in Accounting Principles - Not applicable

3. Business Combinations and Goodwill

- A. Statutory Purchase Method - Not applicable
- B. Statutory Merger - Not applicable
- C. Assumption Reinsurance - Not applicable
- D. Impairment Loss - Not applicable

4. Discontinued Operations

Not applicable

5. Investments

- A. Mortgage Loans - Not Applicable
- B. Debt Restructuring - Not applicable
- C. Reverse Mortgages - Not applicable
- D. Loan-Backed Securities - Not applicable
- E. Repurchase Agreements - Not applicable
- F. Real Estate - Not applicable
- G. Low - Income Housing Tax Credits - Not Applicable

6. Joint Ventures, Partnerships and Limited Liability Companies

- A. The Company has no investments in Joint Ventures, Partnerships or Limited Liability Companies that exceed 10% of its admitted assets.
- B. The Company did not recognize any impairment write down for its investments in Joint Ventures, Partnerships and Limited Liability Companies during the statement periods.

7. Investment Income

The Company did not have any due and accrued income that is required to be excluded from surplus.

NOTES TO FINANCIAL STATEMENTS

8. Derivative Instruments

The Company has no investments in derivative instruments.

9. Income Taxes

The components of deferred tax assets and liabilities as of December 31, 2008 and December 31, 2007 are as follows:

	<u>2008</u>	<u>2007</u>	<u>Change</u>
A. Deferred Tax Assets (DTAs):			
Unrealized gains or losses	\$ 0	\$ 382	\$ (382)
Mark to market acquired investment	37,272	0	37,272
Non-admitted Assets	0	1,403,712	(1,403,712)
Goodwill	<u>1,313,277</u>	<u>3,933</u>	<u>1,309,344</u>
Total gross DTAs	\$ 1,350,549	\$ 1,408,027	\$ (57,478)
Nonadmitted DTAs	<u>1,218,910</u>	<u>1,360,308</u>	<u>(141,398)</u>
Admitted DTAs	\$ <u>131,639</u>	\$ <u>47,719</u>	\$ <u>83,920</u>
Deferred tax liabilities (DTLs):			
Invested assets	<u>0</u>	<u>535</u>	<u>\$ (535)</u>
Total gross DTLs	\$ <u>0</u>	\$ <u>535</u>	<u>\$ (535)</u>
Net deferred tax asset	\$ <u>131,639</u>	\$ <u>47,184</u>	\$ <u>84,455</u>
	<u>2008</u>	<u>2007</u>	
Change in net deferred tax asset from:			
Temporary items affecting surplus	\$ 56,889	\$ 1,404,094	
Temporary items affecting income	<u>\$ (113,832)</u>	<u>3,398</u>	
Change in net deferred tax asset	\$ (56,943)	\$ 1,407,492	
Net change in nonadmitted DTAs	<u>\$ (141,398)</u>	<u>1,360,308</u>	
Net change in net deferred tax asset	\$ <u>84,455</u>	\$ <u>47,184</u>	

B. The company has no unrecognized deferred tax liabilities.

C. Components of total income tax for the years ended December 31, 2008 and 2007 are as follows:

	<u>2008</u>	<u>2007</u>
Current tax expense:		
Federal income tax on operations	\$ (281,926)	\$ 97,031
Change in net deferred tax assets affecting income	<u>113,832</u>	<u>(3,398)</u>
Total income tax current and deferred	\$ <u>(168,094)</u>	\$ <u>93,633</u>

D. A reconciliation between the standard federal income tax rate and the effective tax rate for the year ended December 31, 2008, follows:

	<u>Amount</u>	<u>Tax effect</u>	<u>Tax rate</u>
Anticipated tax at standard federal income tax rates:			
On net gain from operations	\$ (<u>481,827</u>)	\$ (<u>168,640</u>)	(<u>35.0</u>)%
Tax on operations and effective tax rate	\$ (<u>481,827</u>)	\$ (168,640)	(35.0)%
Penalties		<u>546</u>	<u>0.1</u> %
Tax on operations and effective tax rate		\$ (<u>168,094</u>)	(<u>34.9</u>)%

A reconciliation between the standard federal income tax rate and the effective tax rate for the year ended December 31, 2007, follows:

	<u>Amount</u>	<u>Tax effect</u>	<u>Tax rate</u>
Anticipated tax at standard federal income tax rates:			
On net gain from operations	\$ <u>267,523</u>	\$ <u>93,633</u>	<u>35.0</u> %
Tax on operations and effective tax rate	\$ <u>267,523</u>	\$ <u>93,633</u>	<u>35.0</u> %

E. The Company does not have any operating loss, capital loss, or tax credit carryovers available for tax purposes. The 2008 federal operating loss of \$805,503 will offset the 2008 taxable income of other members of the consolidating group. The Company has no accrual for tax uncertainties and no cash deposits with the Internal Revenue Service to suspend the running of interest on potential underpayments on tax uncertainties.

F. The Company is included in a consolidated federal income tax return with its parent and other members of the consolidating group as follows:

Common parent:	HealthMarkets, Inc.
Insurance group:	The MEGA Life and Health Insurance Company Fidelity First Insurance Company HealthMarkets Insurance Company Mid-West National Life Insurance Company of Tennessee The Chesapeake Life Insurance Company United Group Reinsurance, Inc.
Non-insurance group:	CFLD-I, Inc. New United Agency, Inc. Performance Driven Awards, Inc. Success Driven Awards, Inc. HealthMarkets Lead Marketing Group, Inc. United Management Services, Inc. UICI Funding Corp 2

A written tax sharing agreement has been approved by the Board of Directors. Allocation is based upon separate return calculations with tax benefits of losses paid at the time incurred and the tax benefit of credits and carryovers paid at the time they are utilized.

NOTES TO FINANCIAL STATEMENTS

10. Information Concerning Parent, Subsidiaries and Affiliates

- A.

HealthMarkets, LLC, a Delaware corporation, owns 100% of the Company's outstanding common stock.
- B.

The Company did not pay a dividend in 2008.
- C.

The Company did not have any changes.
- D.

At December 31, 2008, the Company reported \$1,797 as amounts due to the Ultimate Parent Company, HealthMarkets, Inc.
- E.

The Company has not made any guarantees or undertakings for the benefit of its affiliates, which result in a material contingent exposure of the Company's or any affiliate insurer's assets to liabilities.
- F.

The Company has agreements with affiliates to receive administration, marketing and investment services for the Company's insurance activities.
- G.

HealthMarkets, LLC, a Delaware corporation, owns 100% of the Company's outstanding common stock.
- H.

The Company does not own shares of an upstream intermediate or ultimate parent, either directly or indirectly via a downstream subsidiary, controlled or affiliated company.
- I.

The Company does not hold any investments in its parent, affiliates or subsidiaries.
- J.

Impairment writedown - Not applicable
- K.

The Company does not have a foreign subsidiary.
- L.

The Company does not hold an investment in a downstream non-insurance holding company.

11. Debt

The Company did not have any debt outstanding at year-end.

12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans

- A.

The Company does not have a defined benefit plan.
- B.

The Company does not have a defined contribution plan.
- C.

The Company does not participate in a multi-employer plan.
- D.

The Company does not have employees and is therefore not impacted by the Medicare Modernization Act on postretirement benefits.
- E.

The Company does not have postemployment benefits and compensated absences.

13. Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations

1.

The Company has 300,000 shares authorized, 300,000 shares issued and outstanding at a par value \$10 per share. The outstanding shares are Class A shares.
2.

The Company has no preferred stock outstanding.
3.

The maximum amount of dividends which can be paid by State of Oklahoma insurance companies to shareholders, out of earned surplus, without prior approval of the Insurance Commissioner is limited to the greater of 10% of statutory surplus as of the end of the preceding year or the preceding year's statutory gain from operations. The maximum dividend payout, which may be made without prior approval in 2009, is \$929,068.
4.

The Company did not pay dividends in 2008
5.

Within the limitations of (3) above, there are no restrictions placed on the portion of Company profits that may be paid as ordinary dividends to stockholders.
6.

There were no restrictions placed on the Company's surplus, including for whom the surplus is being held.
7.

Amounts of advances to surplus - Not applicable
8.

The Company does not hold any share of stock for special purposes.
9.

Changes in balances of special surplus funds - Not applicable
10.

The portion of unassigned funds (surplus) represented or reduced by each item below is as follows:

a.

unrealized gains and losses

\$

1,092

b.

nonadmitted asset values

\$

0

c.

separate account business

\$

0

d.

asset valuation reserves

\$

0

e.

reinsurance in unauthorized companies

\$

0
11.

The Company issued no surplus debentures or similar obligations.
12.

The impact of any restatement - Not applicable.
13.

The effective date of quasi-reorganizations - Not applicable.

NOTES TO FINANCIAL STATEMENTS

14. Contingencies
- A. The Company is not aware of any contingent commitments as of December 31, 2008.

B. The Company is not aware of any assessments that could have a material financial effect on the Company.

C. The Company is not aware of any gain contingencies.

D. The Company is not aware of any claims related extra contractual obligations and bad faith losses stemming from lawsuits.

E. The Company is not aware of any other contingencies.
15. Leases
- The Company does not have any lease obligations at this time.
16. Information about Financial Instruments with Off-Balance Sheet Risk with Concentrations of Credit Risk
- Not applicable
17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities
- A. The Company does not have any Transfers of Receivables.

B. The Company does not have any Transfers or Servicing of Financial Assets.

C. The Company does not have any Wash Sales.
18. Gains or Loss to the Reporting Entity from uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans
- Not applicable
19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators
- Not applicable
20. Other Items
- A. Extraordinary Items - None

B. Troubled Debt Restructuring - None

C. Other Disclosures -

1. On April 17, 2008, the Oklahoma Department of Insurance approved the redomestication of the Company to the State of Oklahoma. The Company was formerly domiciled in the State of Pennsylvania.

2. Effective July 11, 2008, the Oklahoma Department of Insurance, the Company's state of Domicile, approved the name change of the Company from Fidelity Life Insurance Company to HealthMarkets Insurance Company.

D. Balances deemed uncollectible - None

E. Business Interruption Insurance Recoveries - None

F. State Transferable Tax Credits - None

G. Protective Tax Deposits - None

H. Hybrid Securities - None

I. Subprime Mortgage related Risk Exposure - None
21. Events Subsequent
- The Company is not aware of any events occurring subsequent to the close of the books or accounts for this statement that may have a material effect on the financial condition of the Company.
22. Reinsurance
- Not applicable
23. Retrospectively Rated Contracts and Contracts Subject to Redetermination
- Not applicable
24. Change in Incurred Losses and Loss Adjustment Expenses
- Not applicable
25. Intercompany Pooling Arrangements
- The Company has no intercompany pooling arrangements.

NOTES TO FINANCIAL STATEMENTS

26. Structured Settlements

The Company has no structured settlements.

27. Health Care Receivables

- A. Pharmaceutical Rebate Receivables - None
- B. Risk Sharing Receivables - None

28. Participating Policies

Not applicable

29. Premium Deficiency Reserves

The Company has no premium deficiency reserves.

30. Reserves for Life Contracts and Annuity Contracts

Not applicable

31. Analysis of Annuity Actuarial Reserves and Deposit Type Liabilities by Withdrawal Characteristics

Not applicable

32. Premium and Annuity Considerations Deferred and Uncollected

Not applicable

33. Separate Accounts

The Company has no separate accounts.

34. Loss/Claim Adjustment Expenses

Not applicable

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

1.1

Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes [X] No []

1.2

If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes [X] No [] N/A []

1.3

State regulating?

Oklahoma

2.1

Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes [X] No []

2.2

If yes, date of change:

05/12/08, 05/22/08, 07/15/08

3.1

State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/2006

3.2

State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

12/31/2006

3.3

State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

08/02/2007

3.4

By what department or departments?

Pennsylvania Department of Insurance

3.5

Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments?

Yes [] No [] N/A [X]

3.6

Have all of the recommendations within the latest financial examination report been complied with?

Yes [] No [] N/A [X]

4.1

During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.11 sales of new business? Yes [] No [X]

4.12 renewals? Yes [] No [X]

4.2

During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.21 sales of new business? Yes [] No [X]

4.22 renewals? Yes [] No [X]

5.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes [] No [X]

5.2

If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Co. Code	3 State of Domicile

6.1

Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period?

Yes [] No [X]

6.2

If yes, give full information:

7.1

Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes [] No [X]

7.2

If yes,

7.21 State the percentage of foreign control %

7.22 State the nationality(ies) of the foreign person(s) or entity(ies); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(ies) (e.g., individual, corporation, government, manager or attorney-in-fact)

1 Nationality	2 Type of Entity

8.1

Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes [] No [X]

8.2

If response to 8.1 is yes, please identify the name of the bank holding company.

8.3

Is the company affiliated with one or more banks, thrifts or securities firms?

Yes [] No [X]

8.4

If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC

9.

What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?

KPMG LLC, 717 Harwood Street, Suite 3100, Dallas, Texas 75201-6585

10.

What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?

Tom Stoiber, Appointed Actuary, 9151 Boulevard 26, North Richland Hills, TX 76180

11.1

Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly?

Yes [] No [X]

11.11

Name of real estate holding company

11.12

Number of parcels involved

.....

11.13

Total book/adjusted carrying value

.....

11.2

If yes, provide explanation.

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

12.

FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:

12.1

What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?

12.2

Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located?

Yes []No []

12.3

Have there been any changes made to any of the trust indentures during the year?

Yes []No []

12.4

If answer to (12.3) is yes, has the domiciliary or entry state approved the changes?

Yes []No []N/A []

13.1

Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?

Yes [X]No []

a.

Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;

b.

Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;

c.

Compliance with applicable governmental laws, rules and regulations;

d.

The prompt internal reporting of violations to an appropriate person or persons identified in the code; and

e.

Accountability for adherence to the code.

13.11

If the response to 13.1 is No, please explain:

13.2

Has the code of ethics for senior managers been amended?

Yes []No [X]

13.21

If the response to 13.2 is Yes, provide information related to amendment(s).

13.3

Have any provisions of the code of ethics been waived for any of the specified officers?

Yes []No [X]

13.31

If the response to 13.3 is yes, provide the nature of any waiver(s).

BOARD OF DIRECTORS

14.

Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof?

Yes [X]No []

15.

Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof?

Yes [X]No []

16.

Has the reporting entity an established procedure for disclosure to its Board of Directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person?

Yes [X]No []

FINANCIAL

17.

Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)?

Yes []No [X]

18.1

Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

18.11

To directors or other officers

\$.....0

18.12

To stockholders not officers

\$.....0

18.13

Trustees, supreme or grand (Fraternal only)

\$.....0

18.2

Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):

18.21

To directors or other officers

\$.....0

18.22

To stockholders not officers

\$.....0

18.23

Trustees, supreme or grand (Fraternal only)

\$.....0

19.1

Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement?

Yes []No [X]

19.2

If yes, state the amount thereof at December 31 of the current year:

19.21

Rented from others

.....

19.22

Borrowed from others

.....

19.23

Leased from others

.....

19.24

Other

.....

20.1

Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments?

Yes [X]No []

20.2

If answer is yes:

20.21

Amount paid as losses or risk adjustment

\$.....0

20.22

Amount paid as expenses

\$.....35,068

20.23

Other amounts paid

\$.....0

21.1

Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?

Yes []No [X]

21.2

If yes, indicate any amounts receivable from parent included in the Page 2 amount.

.....

INVESTMENT

22.1

Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date (other than securities lending programs addressed in 22.3)?

Yes [X]No []

22.2

If no, give full and complete information relating thereto.

22.3

For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet (an alternative is to reference Note 16 where this information is also provided).

22.4

Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions?

Yes []No []

22.5

If answer to 22.4 is yes, report amount of collateral.

.....

22.6

If answer to 22.4 is no, report amount of collateral.

.....

23.1

Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 19.1 and 22.3)

Yes [X]No []

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

- 23.2 If yes, state the amount thereof at December 31 of the current year:
- 23.21 Subject to repurchase agreements

23.22 Subject to reverse repurchase agreements

23.23 Subject to dollar repurchase agreements

23.24 Subject to reverse dollar repurchase agreements

23.25 Pledged as collateral

23.26 Placed under option agreements

23.27 Letter stock or securities restricted as to sale

23.28 On deposit with state or other regulatory body

23.29 Other
- \$.....0

\$.....0

\$.....0

\$.....0

\$.....0

\$.....0

\$.....0

\$.....6,808,430

\$.....0

23.3 For category (23.27) provide the following:

1	2	3
Nature of Restriction	Description	Amount

- 24.1 Does the reporting entity have any hedging transactions reported on Schedule DB?
- 24.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?
If no, attach a description with this statement.
- Yes []

No [X]

Yes []

No []

N/A []

- 25.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity?
- 25.2 If yes, state the amount thereof at December 31 of the current year:
- Yes []

No [X]

26. Excluding items in Schedule E-Part 3-Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 3, III Conducting Examinations, F - Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook?
- Yes [X]

No []

26.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1	2
Name of Custodian(s)	Custodian's Address
Frost National Bank	P O Box 165098, Fort Worth, TX 76162

26.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1	2	3
Name(s)	Location(s)	Complete Explanation(s)

- 26.03 Have there been any changes, including name changes, in the custodian(s) identified in 26.01 during the current year?
- Yes []

No [X]

26.04 If yes, give full and complete information relating thereto:

1	2	3	4
Old Custodian	New Custodian	Date of Change	Reason

26.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1	2	3
Central Registration Depository Number(s)	Name	Address
	HealthMarkets, Inc.	9151 Boulevard 26, North Richland Hills, TX 76180

- 27.1 Does the reporting entity have any diversified mutual funds reported in Schedule D-Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5(b)(1)])?
- Yes []

No [X]

27.2 If yes, complete the following schedule:

1	2	3
CUSIP #	Name of Mutual Fund	Book/Adj.Carrying Value
27.2999. TOTAL		0

27.3 For each mutual fund listed in the table above, complete the following schedule:

1	2	3	4
Name of Mutual Fund (from the above table)	Name of Significant Holding of the Mutual Fund	Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to Holding	Date of Valuation

28. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1	2	3
	Statement (Admitted) Value	Fair Value	Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
28.1 Bonds.....	.....8,938,441	.....8,997,781	.....59,340
28.2 Preferred stocks.....			.....0
28.3 Totals.....	.....8,938,441	.....8,997,781	.....59,340

28.4 Describe the sources or methods utilized in determining the fair values:

Fair market values are determined from quoted market prices.

- 29.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed?
- 29.2 If no, list exceptions:
- Yes [X]

No []

OTHER

- 30.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any?
- 30.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.
- \$.....0

1	2
Name	Amount Paid

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

- 31.1 Amount of payments for legal expenses, if any? \$.....382,460
- 31.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments
for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
Polsinelli Shalton Flanigan Suelhaus PC	280,547

- 32.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$.....0
- 32.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures
in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid

GENERAL INTERROGATORIES

PART 2 - LIFE INTERROGATORIES

1.1

Does the reporting entity have any direct Medicare Supplement Insurance in force?

Yes [☐] No [☒]

1.2

If yes, indicate premium earned on U.S. business only

.....

1.3

What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?

.....

1.31

Reason for excluding

1.4

Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above.

.....

1.5

Indicate total incurred claims on all Medicare Supplement insurance.

.....

1.6

Individual policies:

Most current three years:

1.61

Total premium earned

.....

1.62

Total incurred claims

.....

1.63

Number of covered lives

.....

All years prior to most current three years:

1.64

Total premium earned

.....

1.65

Total incurred claims

.....

1.66

Number of covered lives

.....

1.7

Group policies:

Most current three years:

1.71

Total premium earned

.....

1.72

Total incurred claims

.....

1.73

Number of covered lives

.....

All years prior to most current three years:

1.74

Total premium earned

.....

1.75

Total incurred claims

.....

1.76

Number of covered lives

.....

2.

Health test:

	1 Current Year	2 Prior Year
2.1 Premium Numerator.....	.....0	.....0
2.2 Premium Denominator.....	.....0	.....0
2.3 Premium Ratio (2.1/2.2).....	.....0.0	.....0.0
2.4 Reserve Numerator.....	.....0	.....0
2.5 Reserve Denominator.....	.....0	.....0
2.6 Reserve Ratio (2.4/2.5).....	.....0.0	.....0.0

3.1

Does this reporting entity have Separate Accounts?

Yes [☐] No [☒]

3.2

If yes, has a Separate Accounts statement been filed with this Department?

Yes [☐] No [☐] N/A [☐]

3.3

What portion of capital and surplus funds of the reporting entity covered by assets in the Separate Accounts statement, is not currently distributable from the Separate Accounts to the general account for use by the general account?

.....

3.4

State the authority under which Separate Accounts are maintained:

3.5

Was any of the reporting entity's Separate Accounts business reinsured as of December 31?

Yes [☐] No [☐]

3.6

Has the reporting entity assumed by reinsurance any Separate Accounts business as of December 31?

Yes [☐] No [☐]

3.7

If the reporting entity has assumed Separate Accounts business, how much, if any, reinsurance assumed receivable for reinsurance of Separate Accounts reserve expense allowances is included as a negative amount in the liability for "Transfers to Separate Accounts due or accrued (net)?"

.....

4.1

Are personnel or facilities of this reporting entity used by another entity or entities or are personnel or facilities of another entity or entities used by this reporting entity (except for activities such as administration of jointly underwritten group contracts and joint mortality or morbidity studies)?

Yes [☒] No [☐]

4.2

Net reimbursement of such expenses between reporting entities:

4.21

Paid

\$.....300,000

4.22

Received

\$.....21,280

5.1

Does the reporting entity write any guaranteed interest contracts?

Yes [☐] No [☒]

5.2

If yes, what amount pertaining to these items is included in:

5.21

Page 3, Line 1

.....

5.22

Page 4, Line 1

.....

6.

For stock reporting entities only:

6.1

Total amount paid in by stockholders as surplus funds since organization of the reporting entity:

\$.....900,000

7.

Total dividends paid stockholders since organization of the reporting entity:

7.11

Cash

\$.....900,000

7.12

Stock

\$.....0

GENERAL INTERROGATORIES

PART 2 - LIFE INTERROGATORIES

8.1 Does the company reinsure any Workers' Compensation Carve-Out business defined as:
Reinsurance (including retrocessional reinsurance) assumed by life and health insurers of medical,
loss and death benefits of the occupational illness and accident exposures, but not the employers
liability exposures, of business originally written as workers' compensation insurance.

Yes [] No [X]

8.2 If yes, has the reporting entity completed the Workers' Compensation Carve-Out Supplement to the Annual Statement?

Yes [] No []

8.3 If 8.1 is yes, the amounts of earned premiums and claims incurred in this statement are:

1	2	3
Reinsurance Assumed	Reinsurance Ceded	Net Retained
.....
.....
.....
.....
.....

8.31 Earned premium.....

8.32 Paid claims.....

8.33 Claim liability and reserve (beginning of year).....

8.34 Claim liability and reserve (end of year).....

8.35 Incurred claims.....

8.4 If reinsurance assumed included amounts with attachment points below \$1,000,000, the distribution of the amounts reported in Lines 8.31 and 8.34 for Column (1) are:

1	2
Earned Premium	Claim Liability and Reserve
.....
.....
.....
.....
.....

Attachment Point

8.41 < \$25,000.....

8.42 \$25,000 -- 99,999.....

8.43 \$100,000 -- 249,999.....

8.44 \$250,000 -- 999,999.....

8.45 \$1,000,000 or more.....

8.5 What portion of earned premium reported in 8.31, Column 1 was assumed from pools?

9.1 Does the company have variable annuities with guaranteed benefits?

Yes [] No [X]

9.2 If 9.1 is yes, complete the following table for each type of guaranteed benefit.

Type		3	4	5	6	7	8	9
1	2	Waiting Period Remaining	Account Value Related to Col. 3	Total Related Account Values	Gross Amount of Reserve	Location of Reserve	Portion Reinsured	Reinsurance Reserve Credit
Guaranteed Death Benefit	Guaranteed Living Benefit							

HEALTHMARKETS INSURANCE COMPANY
FIVE-YEAR HISTORICAL DATA

Show amounts in whole dollars only, no cents; show percentages to one decimal place, i.e., 17.6.

Show amounts of life insurance in this exhibit in thousands (omit \$000)

	1 2008	2 2007	3 2006	4 2005	5 2004
Life Insurance in Force (Exhibit of Life Insurance)					
1. Ordinary - whole life and endowment (Line 34, Col. 4).....					
2. Ordinary - term (Line 21, Col. 4, less Line 34, Col. 4).....					
3. Credit life (Line 21, Col. 6).....					
4. Group, excluding FEGLI/SGLI (Line 21, Col. 9 less Lines 43 & 44, Col. 4).....					
5. Industrial (Line 21, Col. 2).....					
6. FEGLI/SGLI (Lines 43 & 44, Col. 4).....					
7. Total (Line 21, Col. 10).....	0	0	0	0	0
New Business Issued (Exhibit of Life Insurance)					
8. Ordinary - whole life and endowment (Line 34, Col. 2).....					
9. Ordinary - term (Line 2, Col. 4, less Line 34, Col. 2).....					
10. Credit life (Line 2, Col. 6).....					
11. Group (Line 2, Col. 9).....					
12. Industrial (Line 2, Col. 2).....					
13. Total (Line 2, Col. 10).....	0	0	0	0	0
Premium Income - Lines of Business (Exhibit 1-Part 1)					
14. Industrial life (Line 20.4, Col. 2).....					
15.1 Ordinary life insurance (Line 20.4, Col. 3).....					
15.2 Ordinary individual annuities (Line 20.4, Col. 4).....					
16. Credit life (group and individual) (Line 20.4, Col. 5).....					
17.1 Group life insurance (Line 20.4, Col. 6).....					
17.2 Group annuities (Line 20.4, Col. 7).....					
18.1 A&H - group (Line 20.4, Col. 8).....					
18.2 A&H - credit (group and individual) (Line 20.4, Col. 9).....					
18.3 A&H - other (Line 20.4, Col. 10).....					
19. Aggregate of all other lines of business (Line 20.4, Col. 11).....					
20. Total.....	0	0	0	0	0
Balance Sheet (Pages 2 and 3)					
21. Total admitted assets excluding Separate Accounts business (Page 2, Line 24, Col. 3).....	9,405,672	9,686,070	9,290,975	9,078,370	8,913,821
22. Total liabilities excluding Separate Accounts business (Page 3, Line 26).....	114,996	118,069	105,927	90,045	92,724
23. Aggregate life reserves (Page 3, Line 1).....					
24. Aggregate A&H reserves (Page 3, Line 2).....					
25. Deposit-type contract funds (Page 3, Line 3).....					
26. Asset valuation reserve (Page 3, Line 24.1).....		1,755			
27. Capital (Page 3, Lines 29 & 30).....	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
28. Surplus (Page 3, Line 37).....	6,290,676	6,568,001	6,185,048	5,988,325	5,821,097
Cash Flow (Page 5)					
29. Net Cash from operations (Line 11).....	(342,621)	194,833	260,126	302,355	296,022
Risk-Based Capital Analysis					
30. Total adjusted capital.....	9,290,676	9,569,756	9,185,048	8,988,325	8,821,097
31. Authorized control level risk-based capital.....	32,697	39,240	842	3,392	1,260
Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Col. 3) (Line No. /Page 2, Line 10, Col. 3) x 100.0					
32. Bonds (Line 1).....	73.9	76.0	97.7	76.6	92.6
33. Stocks (Lines 2.1 and 2.2).....					
34. Mortgage loans on real estate (Lines 3.1 and 3.2).....					
35. Real estate (Line 4.1, 4.2 and 4.3).....					
36. Cash, cash equivalents and short-term investments (Line 5).....	26.1	24.0	2.0	23.3	7.3
37. Contract loans (Line 6).....					
38. Other invested assets (Line 7).....					
39. Receivables for securities (Line 8).....					
40. Aggregate write-ins for invested assets (Line 9).....			0.2	0.1	0.1
41. Cash, cash equivalents and invested assets (Line 10).....	100.0	100.0	100.0	100.0	100.0

HEALTHMARKETS INSURANCE COMPANY
FIVE-YEAR HISTORICAL DATA

(continued)

	1 2008	2 2007	3 2006	4 2005	5 2004
Investments in Parent, Subsidiaries and Affiliates					
42. Affiliated bonds (Sch. D Summary, Line 25 Col. 1).....					
43. Affiliated preferred stocks (Sch. D Summary, Line 39 Col. 1).....					
44. Affiliated common stocks (Sch. D Summary, Line 53 Col. 1).....					
45. Affiliated short-term investments (subtotal included in Sch. DA, Verif. Col. 5, Line 10).....					
46. Affiliated mortgage loans on real estate					
47. All other affiliated.....					
48. Total of above Lines 42 to 47.....	0	0	0	0	0
Total Nonadmitted and Admitted Assets					
49. Total nonadmitted assets (Page 2, Line 26, Col. 2).....	1,218,910	5,370,914			
50. Total admitted assets (Page 2, Line 26, Col. 3).....	9,405,672	9,686,070	9,290,975	9,078,370	8,913,821
Investment Data					
51. Net investment income (Exhibit of Net Investment Income).....	388,673	419,090	392,728	341,678	338,448
52. Realized capital gains (losses).....		891			
53. Unrealized capital gains (losses).....	1,092	(1,092)			
54. Total of above Lines 51, 52 and 53.....	389,765	418,889	392,728	341,678	338,448
Benefits and Reserve Increase (Page 6)					
55. Total contract benefits - life (Lines 10, 11, 12, 13, 14 and 15 Col. 1 less Lines 10, 11, 12, 13, 14 and 15, Cols. 9, 10 & 11).....					
56. Total contract benefits - A&H (Lines 13 & 14, Cols. 9, 10 & 11).....					
57. Increase in life reserves - other than group and annuities (Line 19, Cols. 2 & 3).....					
58. Increase in A&H reserves (Line 19, Cols. 9, 10 & 11).....					
59. Dividends to policyholders (Line 30, Col 1).....					
Operating Percentages					
60. Insurance expense percent (Page 6, Col. 1, Lines 21, 22, & 23 less Line 6)/(Page 6 Col. 1, Line 1 plus Exhibit 7, Col. 2, Line 2) x 100.00.....					
61. Lapse percent (ordinary only) [(Exhibit of Life Insurance, Col. 4, Lines 14 & 15) / 1/2 (Exhibit of Life Insurance, Col. 4, Lines 1 & 21)] x 100.00.....					
62. A&H loss percent (Schedule H, Part 1, Lines 5 & 6, Col. 2).....					
63. A&H cost containment percent (Schedule H, Part 1, Line 4, Col. 2).....					XXX
64. A&H expense percent excluding cost containment expenses (Schedule H, Part 1, Line 10, Col. 2).....					
A&H Claim Reserve Adequacy					
65. Incurred losses on prior years' claims - group health (Sch. H, Part 3, Line 3.1, Col. 2).....					
66. Prior years' claim liability and reserve - group health (Sch. H, Part 3, Line 3.2, Col. 2).....					
67. Incurred losses on prior years' claims - health other than group (Sch. H, Part 3, Line 3.1, Col. 1 less Col. 2).....					
68. Prior years' claim liability and reserve - health other than group (Sch. H, Part 3, Line 3.2, Col. 1 less Col. 2).....					
Net Gains From Operations After Federal Income Taxes by Lines of Business (Page 6, Line 33)					
69. Industrial life (Col. 2).....					
70. Ordinary - life (Col. 3).....					
71. Ordinary - individual annuities (Col. 4).....					
72. Ordinary - supplementary contracts (Col. 5).....					
73. Credit life (Col. 6).....					
74. Group life (Col. 7).....					
75. Group annuities (Col. 8).....					
76. A&H - group (Col. 9).....					
77. A&H - credit (Col. 10).....					
78. A&H - other (Col. 11).....					
79. Aggregate of all other lines of business (Col. 12).....	(199,901)	173,890	196,723		
80. Total (Col. 1).....	(199,901)	173,890	196,723	0	0

Ex. of Life Ins.-(Lines 1-23)
NONE

Ex. of Life Ins.-(Lines 24-26)
NONE

Ex. of Life Ins.-(Lines 27-35)
NONE

Ex. of Life Ins.-(Lines 36-40)
NONE

Ex. of Life Ins.-(Lines 41-45)
NONE

Ex. of Life Ins.-(Line 46)
NONE

Ex. of Life Ins.-(Line 47)
NONE

Ex. of Life Ins.-(Lines 48-52)
NONE

Ex. of Policies - Supp. Contracts
NONE

Ex. of Policies - Annuities
NONE

Ex. of Policies - A&H Ins.
NONE

Ex. of Policies - Deposits Funds & Dividend Accumulations
NONE

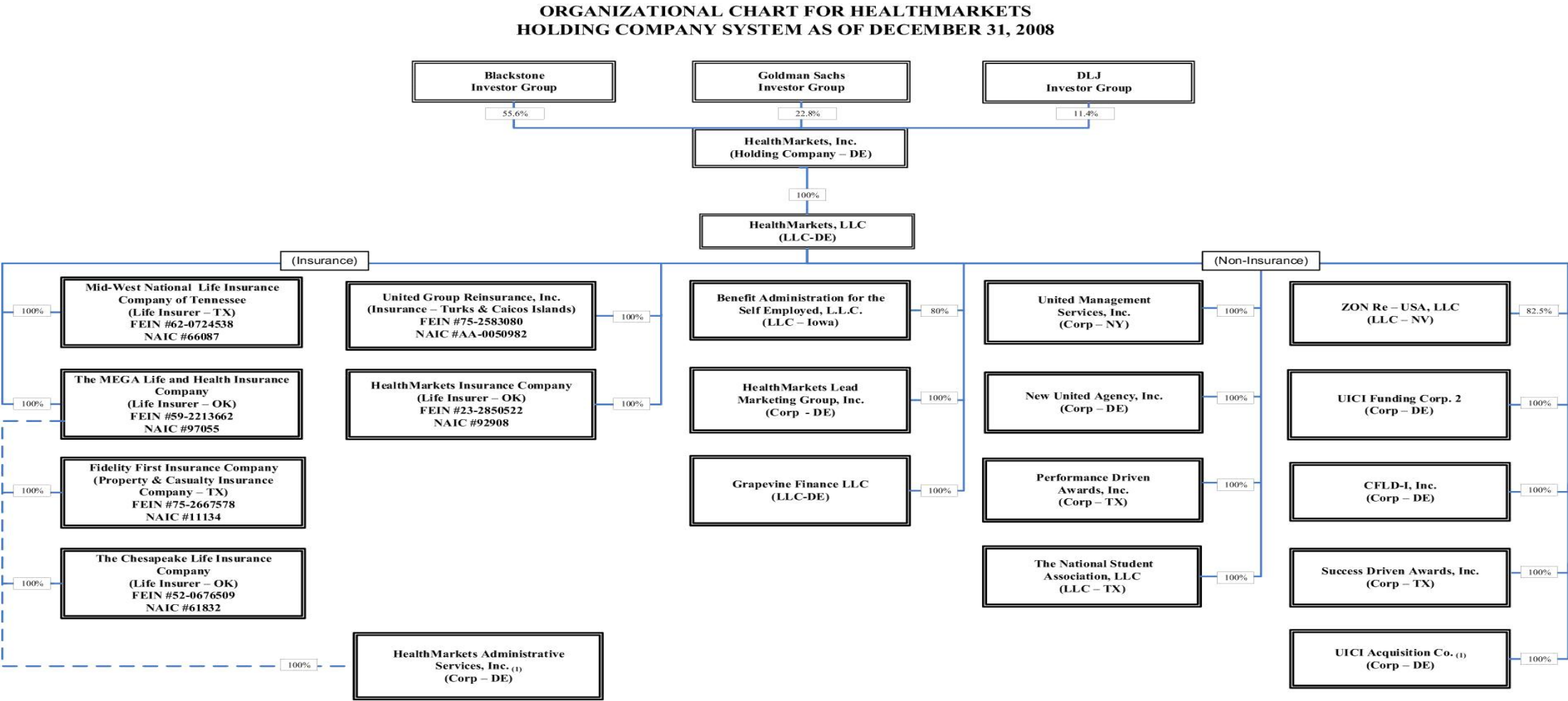
HEALTHMARKETS INSURANCE COMPANY
SCHEDULE T - PREMIUMS AND ANNUITY CONSIDERATIONS

Allocated by States and Territories

States, Etc.			1	Direct Business Only					
				Life Contracts		4	5	6	7
				2	3				
			Active Status	Life Insurance Premiums	Annuity Considerations	Accident and Health Insurance Premiums, Including Policy, Membership and Other Fees	Other Considerations	Total Columns 2 through 5	Deposit-Type Contracts
1.	Alabama.....	AL	L					0	
2.	Alaska.....	AK	L					0	
3.	Arizona.....	AZ	L					0	
4.	Arkansas.....	AR	L					0	
5.	California.....	CA	L					0	
6.	Colorado.....	CO	L					0	
7.	Connecticut.....	CT	L					0	
8.	Delaware.....	DE	L					0	
9.	District of Columbia.....	DC	L					0	
10.	Florida.....	FL	L					0	
11.	Georgia.....	GA	L					0	
12.	Hawaii.....	HI	L					0	
13.	Idaho.....	ID	L					0	
14.	Illinois.....	IL	L					0	
15.	Indiana.....	IN	L					0	
16.	Iowa.....	IA	L					0	
17.	Kansas.....	KS	L					0	
18.	Kentucky.....	KY	L					0	
19.	Louisiana.....	LA	L					0	
20.	Maine.....	ME	L					0	
21.	Maryland.....	MD	L					0	
22.	Massachusetts.....	MA	L					0	
23.	Michigan.....	MI	L					0	
24.	Minnesota.....	MN	L					0	
25.	Mississippi.....	MS	N					0	
26.	Missouri.....	MO	L					0	
27.	Montana.....	MT	L					0	
28.	Nebraska.....	NE	L					0	
29.	Nevada.....	NV	L					0	
30.	New Hampshire.....	NH	N					0	
31.	New Jersey.....	NJ	L					0	
32.	New Mexico.....	NM	L					0	
33.	New York.....	NY	N					0	
34.	North Carolina.....	NC	L					0	
35.	North Dakota.....	ND	L					0	
36.	Ohio.....	OH	L					0	
37.	Oklahoma.....	OK	L					0	
38.	Oregon.....	OR	L					0	
39.	Pennsylvania.....	PA	L					0	
40.	Rhode Island.....	RI	L					0	
41.	South Carolina.....	SC	L					0	
42.	South Dakota.....	SD	L					0	
43.	Tennessee.....	TN	L					0	
44.	Texas.....	TX	L					0	
45.	Utah.....	UT	L					0	
46.	Vermont.....	VT	L					0	
47.	Virginia.....	VA	L					0	
48.	Washington.....	WA	L					0	
49.	West Virginia.....	WV	L					0	
50.	Wisconsin.....	WI	L					0	
51.	Wyoming.....	WY	L					0	
52.	American Samoa.....	AS	N					0	
53.	Guam.....	GU	N					0	
54.	Puerto Rico.....	PR	N					0	
55.	US Virgin Islands.....	VI	N					0	
56.	Northern Mariana Islands.....	MP	N					0	
57.	Canada.....	CN	N					0	
58.	Aggregate Other Alien.....	OT	XXX	0	0	0	0	0	0
59.	Subtotal.....	(a) 48		0	0	0	0	0	0
90.	Reporting entity contributions for employee benefit plans.....	XXX						0	
91.	Dividends or refunds applied to purchase paid-up additions and annuities.....	XXX						0	
92.	Dividends or refunds applied to shorten endowment or premium paying period.....	XXX						0	
93.	Premium or annuity considerations waived under disability or other contract provisions.....	XXX						0	
94.	Aggregate other amounts not allocable by State.....	XXX		0	0	0	0	0	0
95.	Totals (Direct Business).....	XXX		0	0	0	0	0	0
96.	Plus reinsurance assumed.....	XXX						0	
97.	Totals (All Business).....	XXX		0	0	0	0	0	0
98.	Less reinsurance ceded.....	XXX						0	
99.	Totals (All Business) less reinsurance ceded.....	XXX		0	0	(b) 0	0	0	0
DETAILS OF WRITE-INS									
5801.	.....	XXX						0	
5802.	.....	XXX						0	
5803.	.....	XXX						0	
5898.	Summ. of remaining write-ins for line 58 from overflow page.....	XXX		0	0	0	0	0	0
5899.	Total (Lines 5801 thru 5803 plus 5898) (Line 58 above).....	XXX		0	0	0	0	0	0
9401.	.....	XXX						0	
9402.	.....	XXX						0	
9403.	.....	XXX						0	
9498.	Summ. of remaining write-ins for line 94 from overflow page.....	XXX		0	0	0	0	0	0
9499.	Total (Lines 9401 thru 9403 plus 9498) (Line 94 above).....	XXX		0	0	0	0	0	0

(a) Insert the number of "L" responses except for Canada and Other Alien.
(b) Column 4 should balance with Exhibit 1, Lines 6.4, 10.4 and 16.4, Cols. 8, 9, and 10, or with Schedule H, Part 1, Column, Line 1. Indicate which:

SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART



(1) Inactive entity

2008 ALPHABETICAL INDEX

LIFE ANNUAL STATEMENT BLANK

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